MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

BAC3634 – CORPORATE ACCOUNTING 1

(All sections / Groups)

20 OCTOBER 2018
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **EIGHT (8)** pages excluding the cover page with **FOUR (4)** Questions only.

2. Attempt **ALL** questions. The distribution of the marks is shown at the end of each question.

3. Please write all your answers in the answer booklet provided.

QUESTION 1 (25 MARKS)

Part A

MFRS 10 *Consolidated Financial Statements* requires every parent company to prepare consolidated financial statements for all its subsidiaries. MFRS 10 exempts a parent company from preparing consolidated financial statements under certain conditions. Explain the four conditions for exclusion of subsidiaries from consolidation for the directors of a holding company.

(5 marks)

Part B

Following is the statement of financial position of Jasmin Bhd, Rose Bhd and Sandal Bhd as at 31 March 2018.

	Jasmin Bhd RM	Rose Bhd RM	Sandal Bhd RM
Non-current assets			
Land	250,000	300,000	75,000
Buildings	550,000	250,000	95,000
Plant & Machinery	600,000	200,000	75,000
Investments:			
Investments in Rose Bhd	800,000	-	-
Shares in Sandal Bhd	200,000	-	-
Current assets			
Cash at bank	50,000	35,000	20,000
Inventories	125,000	62,000	45,000
Accounts receivables	245,000	84,000	33,000
	2,820,000	931,000	343,000
Equity and non-current liabilities			
Ordinary Share capital of RM1 each	1,000,000	500,000	200,000
6% Preference shares of RM1 each	-	200,000	-
Retained earnings on 1 April 2017	700,000	100,000	60,000
Current year's profit	125,000	45,000	40,000
Long term loan	500,000	-	-
Current liabilities			
Accounts payable	295,000	86,000	43,000
Bank overdraft	200,000	-	-
	2,820,000	931,000	343,000

Continued...

The following points are relevant to prepare the group statement of financial position as at 31 March 2018.

a) Jasmin Bhd owns 80% of ordinary shares for RM740,000 and 30% of 6% preference shares for RM60,000 in Rose Bhd. The investments were made on 1 April 2016. On that date the retained profit of Rose Bhd had a credit balance of RM60,000.
b) The fair values of all assets of Rose Bhd were equal to their carrying amounts with exception of its land which had a fair value of RM200,000 in excess of its carrying value at the date of acquisition.
c) Jasmin Bhd purchased 40% of ordinary shares in Sandal on 1 October 2017.
d) Jasmin Bhd sells its products to Rose. The closing inventories of Rose Bhd includes RM40,000 of stock purchased from Jasmin Bhd. Jasmin Bhd sells its products at a cost plus 33 1/3%.
e) Accounts receivables of Jasmine Bhd includes RM10,000 due from Rose Bhd.
f) The fair value of non-controlling interest in Rose Bhd as on 1 of April 2016 was RM180,000.

Required:

i) Prepare the group consolidated statement of financial position of the group as at 31 March 2018.

(16 marks)

ii) Calculate the goodwill based on **full value** method.

(4 marks)

(Total: 25 marks)

QUESTION 2 (20 MARKS)

Part A

Given below are the statements of profit or loss of Ab Bhd, Nor Bhd and Mal Bhd for the year ended 31 December 2017.

	Ab Bhd RM	**Nor Bhd RM**	**Mal Bhd RM**
Revenue	1,200,000	1,800,000	1,200,000
Cost of Sales	(480,000)	(720,000)	(600,000)
Gross profit	720,000	1,080,000	600,000
Expenses	(240,000)	(360,000)	(180,000)
	480,000	720,000	420,000
Dividends from Nor Bhd	96,000	-	-
Dividends from Mal Bhd	16,000	40,000	-
	592,000	760,000	420,000

Continued...

Taxation	(172,000)	(160,000)	(120,000)
	420,000	600,000	300,000
Ordinary dividends paid	120,000	120,000	80,000
Preference dividends paid (half year)	-	-	40,000

Additional information:

a) On 1 January 2015, Ab Bhd acquired 80% of the issued ordinary shares of Nor Bhd for RM1,020,000 and the fair value of the net assets of Nor Bhd on this date was RM1,200,000. Additional depreciation on fair value recognition of the net assets was RM9,000 per annum.

b) Goodwill is calculated for parent only. The goodwill of Nor Bhd was impaired by 5% on 31 December 2017.

c) On 1 January 2017, Ab Bhd acquired 20% of the issued ordinary shares of Mal Bhd for RM180,000. On the same date Nor Bhd acquired 50% of the issued ordinary shares of Mal Bhd for RM540,000. The fair value of the net assets of Mal Bhd was RM720,000 on 1 January 2017.

d) Ab Bhd trades with Nor Bhd and during the current year, Ab Bhd sold to Nor Bhd goods for RM40,000. Ab Bhd priced its sales to Nor Bhd at cost plus 25 % and all of these goods remained unsold in Nor Bhd as at the end of the year.

Required:

In accordance with the requirements of MFRS 10 *Consolidated Financial Statements*,

i) Calculate the goodwill of Nor Bhd and Mal Bhd.

(5 marks)

ii) Prepare the consolidated statement of profit or loss for the year ended 31 December 2017.

(9 marks)

Part B

Below are the statements of financial position of Ariel Bhd and Tiana Bhd as at 31 December 2017.

	Ariel Bhd	**Tiana Bhd**
	RM	**RM**
Investment in Tiana at cost	588,000	-
Sundry assets	2,332,000	1,080,000
	2,920,000	1,080,000

Continued...

Ordinary share capital	2,000,000	400,000
Retained profits	600,000	560,000
Trade and other liabilities	320,000	120,000
	2,920,000	1,080,000

Additional information:

a) Ariel Bhd acquired 40% of Tiana Bhd's issued ordinary shares on 1 January 2014 for RM268,000 when the retained profit of Tiana Bhd was RM180,000.
b) On 1 January 2017, Ariel Bhd acquired another 50% of Tiana Bhd's ordinary shares for RM320,000 when the retained profit of Tiana Bhd was RM200,000.
c) On 1 January 2017, the fair value of ordinary shares acquired on 1 January 2014 is RM360,000.

Required:

In accordance with the requirements of MFRS 10 *Consolidated Financial Statements*, prepare the consolidated statement of financial position the group as at 31 December 2017.

(6 marks)

(Total: 20 marks)

QUESTION 3 (30 MARKS)

Part A

Given below is the statement of financial position of Fujistar Bhd as at 31 December 2017.

Non-current assets	**RM**
Premises	800,000
Motor vehicles	400,000
Plant and machinery	400,000
Current assets	
Inventories	200,000
Trade receivables	320,000
	2,120,000

Continued...

Equity and liabilities	
Ordinary shares-600,000 units	2,400,000
Accumulated losses	(1,440,000)
	960,000
Trade payables	1,160,000
	2,120,000

Additional information:

a) The following assets were valued as follows:

	RM
Motor vehicles	320,000
Plant and machinery	240,000

b) The directors decided to draw up a scheme of capital reduction and the approval of the court was obtained for the scheme of capital reduction.
c) Ordinary shares were reduced from RM4 each to RM1.20 each, fully paid up.
d) The accumulated losses is to be written off.

Required:

i) Journal entries to give effect to the scheme.

(4 marks)

ii) Capital reduction account.

(2 marks)

iii) Statement of financial position of the company immediately after the capital reduction.

(5 marks)

Part B

CCK Group Bhd presents the following statements of financial position as at 31 December of years 2016 and 2017.

	2017	**2016**
	RM	**RM**
Property, plant and equipment	700,000	600,000
Investment in associate company	160,000	150,000
Inventory	280,000	240,000
Cash at bank	80,000	30,000
	1,220,000	1,020,000

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Ordinary share capital	500,000	500,000
Retained profits	446,000	280,000
Non-controlling interest	194,000	180,000
Trade payables	80,000	60,000
	1,220,000	1,020,000

Consolidated Statement of Profit or Loss for the year ended 31 December 2017

	RM
Profit before tax	266,000
Gain on sale of property, plant, and equipment	100,000
Share of profits of associate company	30,000
Profit before tax	396,000
Tax - CCK Group Bhd and subsidiaries	(80,000)
Profit after tax	316,000
Profit after tax attributable to:	
Equity holders of CCK Group Bhd	296,000
Non-controlling interest	20,000
	316,000

Additional information:

a) Group depreciation is RM50,000.
b) Property, plant, and equipment of carrying amount RM200,000 was sold for RM300,000 during the year 2017.

Required:

i) In accordance with the requirements of MFRS 107 *Statement of Cash Flows*, prepare the consolidated statement of cash flows for the year ended 31 December 2017.

(13 marks)

ii) Assess the liquidity of CCK Group Bhd on 31 December 2017 by employing current ratio and acid-test ratio.

(6 marks)

(Total: 30 marks)

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QUESTION 4 (25 MARKS)

Part A

The entity applies MFRS 9 *Financial Instruments* in accounting for long-term interests (Loan). The entity applies MFRS 128 *Investments in Associates* to its net investment in the associate, which includes long-term interests. When an entity invests in an Associate both in ordinary shares, preference shares and long term loan, issues arises in treatment of investments.
Briefly explain the concern of stakeholders in applying MFRS 128 and MFRS 9.

(4 marks)

Part B

Given below are the statements of financial position of Global Bhd, Sunrise Bhd and Atlas Bhd as at 31 December 2017.

	Global Bhd (RM'000)	**Sunrise Bhd (RM'000)**	**Atlas Bhd (RM'000)**
Non-current assets	5,600	3,000	2,000
Investment in Sunrise Bhd at cost	2,000	-	-
Investment in Atlas Bhd at cost	-	1,000	-
Investment in other securities	500	-	-
Accounts receivables	450	680	290
Inventories	300	200	120
Bills receivables	100	50	30
Cash and bank balances	50	20	10
	9,000	4,950	2,450
Ordinary share capital (RM1 each)	4,000	3,000	1,000
Retained profit at 1 January 2017	2,300	960	420
Profit for the year	2,300	540	360
Trade and other liabilities	200	300	620
Bills payable	200	150	50
	9,000	4,950	2,450

Continued...

Additional information:

a) Global Bhd acquired 60% of the issued ordinary shares of Sunrise Bhd on 1 January 2015 for RM2,000,000. The retained profit of Sunrise Bhd on acquisition date was RM300,000.
b) 50% of the goodwill in Sunrise Bhd was impaired during the current year.
c) On 1 July 2017, Sunrise Bhd acquired 80% of the ordinary shares of Atlas Bhd for RM1,000,000.
d) Included in the accounts receivables of Global Bhd is RM100,000 due from Sunrise Bhd and RM40,000 due from Atlas Bhd. However, Sunrise Bhd has remitted RM50,000 on 31 December 2017 which Global Bhd received on 1 January 2018.
e) Bills payable of Sunrise Bhd includes RM50,000 to Global Bhd and RM30,000 to Atlas Bhd.
f) During the year end Global Bhd sold inventories valued at RM50,000 and RM60,000 to Sunrise Bhd and Atlas Bhd respectively. Global Bhd sold these goods to its subsidiaries at cost plus 25% and all these inventories remain unsold.
g) Non-controlling interest is measured equal to the proportionate share of the fair value of the net assets on the date of acquisition.
h) Assume that revenue and expenses of year 2017 accrued evenly throughout the year.

Required:

Prepare the Consolidated Statement of Financial Position of Global Group as at 31 December 2017 in accordance with the requirements of MFRS 10 *Consolidated Financial Statements.*

(21 marks)

(Total: 25 marks)

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